GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5628
ANSWERED ON:07.04.2017
Insurance Cover for Public Deposits
Biju Shri Parayamparanbil Kuttappan

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Government proposes mandatory insurance cover for public deposits garnered by companies and if so, the details thereof; and

(b) the steps taken by the Government to safeguard the investors from fraudulent money collection scheme?

Answer

THE MINISTER OF STATE (SHRI ARJUN RAM MEGHWAL)
IN THE MINISTRY OF CORPORATE AFFAIRS (???? ?????? ??? ??????)
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(a) and (b):- Section 73 (2) of the Companies Act, 2013 (the Act) read with Rule 5 of Companies (Acceptance of Deposits) Rules, 2014 mandates that every company inviting deposits shall enter into a contract for providing deposit insurance atleast 30 days before the issue of circular or advertisement or renewal as the case may be. However, in view of non-availability of such deposit insurance products, companies were allowed to raise deposits without any deposit insurance till 31st March, 2017, as per proviso to rule 5(1).

The Act read with Rule 2 of the above mentioned Rules inclusively defines 'deposits' with specific exceptions, thereby requiring compliance of the aforesaid provisions for receipts of monies by whatever name called, and protect the investors from the operators of fraudulent money collection schemes. Further, the Companies Act and the aforesaid deposit Rules limit the acceptance of deposits from public to only public companies having a net worth or turnover above prescribed thresholds, prescribe norms for issue of advertisements, credit rating for companies accepting deposits, creation of security, appointment of trustee for depositors and their duties, punishment for contravention of the provisions etc. for safeguarding the interest of investors.
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